

Internal Revenue ServiceNumber: **201520001**

Release Date: 5/15/2015

Index Number: 1502.76-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B01

PLR-126286-14

Date:

December 22, 2014

In Re:

LEGEND:

Parent =

Sub 1 =

Business A =

Country X =

Dear :

This letter responds to your request for a ruling, dated July 3, 2014, in which the advance consent of the Commissioner is requested for the continued filing of a consolidated return by Parent and its subsidiaries, although Sub 1 will use a different taxable year than the other members of the consolidated group. Additional information was supplied in letters dated October 16, November 4, and December 5, 2014. The information submitted is summarized below.

Summary of Facts

Parent is the common parent of a consolidated group (Group) engaged in Business A. Parent uses a 52-53 week year ending on the last Saturday in December. Sub 1, a member of Group, presently uses the same taxable year as Parent. Sub 1 wholly owns foreign subsidiaries in Country X that are controlled foreign corporations (CFCs) as defined in section 957(a) of the Internal Revenue Code (Code).

The CFCs owned by Sub 1 are partners in Country X partnerships. Under Country X law, these partnerships cannot have a calendar year that exceeds 12 months. This restriction makes the partnerships unable to have a 52-53 week taxable year. Under recent changes in Country X law, the CFCs as partners are required to make burdensome computations if they wish to have a 52-53 week taxable year. As a result, the CFCs have changed to a calendar year. To avoid difficult computations due to the difference between the CFCs calendar years and Sub 1's 52-53 week year, Sub 1 wants to change Sub 1's taxable year to a calendar year.

Representations

Parent has submitted the following representations:

- (a) The tax years of all members of Group will end within the same 7-day period.
- (b) The use of a 52-53 week taxable year will clearly reflect the consolidated income of Group. The members of Group using a 52-53 week taxable year will determine depreciation, amortization, state and local franchise and property taxes, vacation pay accruals, and items of a similar nature as though their taxable year consisted of 12 calendar months, in accordance with the principles of Treas. Reg. § 1.441-2(d).
- (c) Any deferred intercompany transaction between members of Group will be accounted for in the same consolidated return year even though the use of a 52-53 week taxable year by certain members may cause a transaction to occur on a day falling in different consolidated return years of the members involved. In such a case, the taxable year of the selling member will be used to determine the consolidated return year in which a transaction has occurred. See Rev. Rul. 72-184, 1972-1 C.B. 289.
- (d) If deferred gain must be restored under the rules of § 1.1502-13, the consolidated return year of the member causing the restoration will control. If, because of the selling member's method of accounting, the deferred gain or loss would not otherwise be recognized until a later taxable year, the selling member nevertheless will take into account the gain or loss in the consolidated return year of the member causing such restoration. See Rev. Rul. 72-184.
- (e) If consent is granted for Sub 1 to change its annual accounting period to a calendar year end, then the CFCs will adopt the taxable year that results in the least deferral of income to all U.S. shareholders, as defined in Prop. Reg. § 1.898-3(a)(4)(i) and illustrated in Example 2 of Prop. Reg. § 1.898-3(a)(4)(iii).

Ruling

Based solely on the information submitted, and provided that the affiliation requirements of section 1504 of the Code are met, consent is granted under § 1.1502-76 of the regulations for Sub 1 to file a consolidated return with Parent using a calendar year.

Caveats

We express no opinion as to the tax effects or consequences of Sub 1's taxable year under any other provisions of the Code or regulations, or as to the tax treatment of any conditions existing at the time of, or effects resulting from, Sub 1's taxable year that are not specifically set forth in the above ruling.

Procedural Statements

This ruling is directed only to the taxpayers requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to two of your authorized representatives.

Sincerely,

Isaac W. Zimbalist

Isaac W. Zimbalist
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel
(Corporate)

cc: